

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Charter Township of Chocoday, Michigan	County Marquette
Fiscal Year End 12/31/07	Opinion Date 3/7/8	Date Audit Report Submitted to State 5-21-08	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

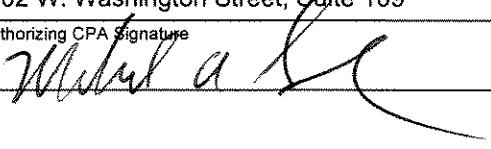
YES NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input type="checkbox"/>	No Comments	
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Anderson, Tackman and Company, PLC		Telephone Number 906-225-1166	
Street Address 102 W. Washington Street, Suite 109		City Marquette	State MI
Zip 49855			
Authorizing CPA Signature 	Printed Name Michael Alan Greutz	License Number 1101027988	

**CHARTER TOWNSHIP OF CHOCOLAY,
MICHIGAN**

FINANCIAL STATEMENTS

For the Year Ended December 31, 2007

TABLE OF CONTENTS

Independent Auditors' Report	3
Management's Discussion and Analysis (Unaudited)	5
Statement of Net Assets	11
Statement of Activities	12
Governmental Funds – Balance Sheet	13
Reconciliation of the Balance Sheet of Governmental Funds To the Statement of Net Assets	14
Governmental Funds – Statement of Revenues, Expenditures and Changes in Fund Balance	15
Reconciliation of the Statement of Revenues, Expenditures and Changes In Fund Balances of Governmental Funds to the Statement of Activities	16
Proprietary Funds – Statement of Net Assets	17
Proprietary Funds – Statement of Revenues, Expenses and Changes in Net Assets	18
Proprietary Funds – Statements of Cash Flows	19
Fiduciary Funds – Statement of Fiduciary Net Assets	20
Notes to Financial Statements	21

REQUIRED SUPPLEMENTAL FINANCIAL INFORMATION

General Fund – Budgetary Comparison Schedule	36
--	----

OTHER SUPPLEMENTAL INFORMATION

Major Governmental Funds – General Fund – Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual	38
Major Government Funds – Capital Improvement Fund – Statement of Revenues, Expenditures and Changes in Fund Balance	43
Fiduciary Funds – Combining Statement of Net Assets	44

COMPLIANCE SUPPLEMENTS

Report on Compliance and Other Matters and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	46
---	----



Anderson, Tackman & Company, PLC

Certified Public Accountants
Marquette, Michigan 906-225-1166
Fax – 1-906-225-1714

Partners

John W. Blemberg, CPA

Robert J. Downs, CPA, CVA

Daniel E. Bianchi, CPA

INDEPENDENT AUDITOR'S REPORT

The Supervisor and Members of
the Board of Trustees of the
Charter Township of Chocolay, Michigan
5010 U.S. Highway 41 South
Marquette, Michigan 49855

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Charter Township of Chocolay, Michigan as of and for the year ended December 31, 2007, which collectively comprise the basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Charter Township of Chocolay, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the Charter Township of Chocolay, Michigan as of December 31, 2007, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 7, 2008, on our consideration of the Charter Township of Chocolay, Michigan's internal control over financial reporting and on our tests of its compliance with certain provision of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Supervisor and Members of
the Board of Trustees of the
Charter Township of Chocolay, Michigan

The management's discussion and analysis, and budgetary comparison information on pages 5 through 10 and 36, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Charter Township of Chocolay, Michigan's basic financial statements. The combining and individual fund statements are presented for the purpose of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Anderson, Tackman & Company, PLLC

Certified Public Accountants

March 7, 2008

Charter Township of Chocolay, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Our discussion and analysis of the Charter Township of Chocolay, Michigan's financial performance provides an overview of the Township's financial activities for the year ended December 31, 2007. Please read it in conjunction with the financial statements, which begin on page 11.

FINANCIAL HIGHLIGHTS

- Net assets for the Township as a whole increased by \$289,503 as a result of this year's operations. Net assets of our business-type activities increased by \$30,833, or 1 percent, and net assets of our governmental activities increased by \$258,670, or 9 percent.
- During the year, the Township had expenses for governmental activities that were \$1,373,378 and expenses for business type activities that were \$241,852.
- The General Fund reported a net fund balance of \$1,186,158. Net income was \$299,611 higher than the forecasted decrease of \$187,806 in fund balance.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities (on pages 11 and 12) provide information about the activities of the Township as a whole and present a longer-term view of the Township's finances. Fund financial statements start on page 13. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for the future spending. Fund financial statements also report the Township's operations in more detail than the government-wide statements by providing information about the Township's most significant funds. The remaining statements provide financial information about activities for which the Township acts solely as a trustee or agent for the benefit of those outside the government.

Reporting the Township as a Whole

Our analysis of the Township as a whole begins on page 7. One of the most important questions asked about the Township's finances is "Is the Township as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the Township as a whole and about its activities in a way that helps answer this question. These statements include *all* assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. These two statements report the Township's *net assets* and changes in them. You can think of the Township's net assets - the difference between assets and liabilities - as one way to measure the Township's financial health, or *financial position*. Over time, *increases or decreases* in the Township's net assets are one indicator of whether its *financial health* is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the Township's patron base and the condition of the Township's capital assets, to assess the *overall financial health* of the Township.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)

In the Statement of Net Assets and the Statement of Activities, we divide the Township into two kinds of activities:

- **Governmental Activities** – Most of the Township's basic services are reported here, including the legislative, elections, public safety, public works, recreation and culture, community and economic development and general services and administration. Property taxes, charges for services and state sources fund most of these activities.
- **Business-Type Activities** – The Township charges a fee to customers to help it cover all or most of the cost of certain services it provides. The Wastewater Treatment operations are reported here.

Reporting the Township's Most Significant Funds

Our analysis of the Township's major funds begins on page 7. The fund financial statements begin on page 13 and provide detailed information on the most significant funds – not the Township as a whole. Some funds are required to be established by State law and by bond covenants. However, the Township Board establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using taxes, grants, and other money. The Township's two kinds of funds – *governmental* and *proprietary* – use different accounting approaches.

- **Governmental Funds** – Most of the Township's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other financial assets that can be readily converted into cash. The governmental fund statements provide a detailed *short-term view* of the Township's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Township's programs. We describe the relationship (or differences) between governmental *activities* (reported in the Statement of Net Assets and Statement of Activities) and governmental *funds* in a reconciliation which follows the fund financial statements.
- **Proprietary Funds** – When the Township charges customers for the services it provides – whether to outside customers or to other units of the Township – these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. In fact, the Township's enterprise funds (a component of proprietary funds) are the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds.

The Township as Trustee

The Township is the trustee, or fiduciary, for assets that – because of a trust arrangement – can be used only for the trust beneficiaries. All of the Township's fiduciary activities are reported in separate Statements of Fiduciary Net Assets on page 20. We exclude these activities from the Township's other financial statements because the Township cannot use these assets to finance its operations.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)

The Township is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

The Township as a Whole

Table I provides a summary of the Township's net assets as of December 31, 2007 and 2006.

Table 1 Net Assets				
	Governmental Activities – 2007	Business-Type Activities – 2007	Total Primary Government – 2007	Total Primary Government – 2006
Current and other assets	\$3,239,273	\$1,114,897	\$4,354,170	\$4,088,478
Non-current assets	1,240,761	1,191,639	2,432,400	1,936,228
Total Assets	4,480,034	2,306,536	6,786,570	6,024,706
Current liabilities	1,158,860	24,565	1,183,425	684,080
Non-current liabilities	67,535	-	67,535	94,519
Total Liabilities	1,226,395	24,565	1,250,960	778,599
Net Assets:				
Invested in capital assets, net of related debt	1,240,761	796,349	2,037,110	1,463,458
Restricted	-	19,723	19,723	20,292
Unrestricted (deficit)	2,012,878	1,465,899	3,478,777	3,762,357
Total Net Assets	\$3,253,639	\$2,281,971	\$5,535,610	\$5,246,107

Net assets of the Township's governmental activities stood at \$3,253,639. *Unrestricted* net assets—the part of net assets that could be used to finance day-to-day activities without constraints established by debt covenants, enabling legislation, or other legal requirements stood at \$2,012,878.

The \$2,012,878 in unrestricted net assets of governmental activities represents the accumulated results of all past years' operations. The operating results of the General Fund will have a significant impact on the change in unrestricted net assets from year to year.

The net assets of our business-type activities stood at \$2,281,971. The Township can generally only use these net assets to finance continuing operations of the Wastewater Treatment Facility operations.

The results of this year's operations for the Township as a whole are reported in the Statement of Activities (see Table 2), which shows the changes in net assets for fiscal year 2007 and 2006.

Table 2 Change in Net Assets				
	Governmental Activities – 2007	Business-Type Activities – 2007	Total Primary Government – 2007	Total Primary Government – 2006
Revenues				
Program Revenues:				
Charges for services	\$202,684	\$229,617	\$432,301	\$439,263
Operating Grants and Contributions	17,339	-	17,339	27,347
Capital Grants and Contributions	158,119	-	158,119	185,470
General Revenues:				
Property taxes	606,680	-	606,680	580,854
State Sources	460,998	-	460,998	458,393
Interest	128,836	43,068	171,904	128,585
Miscellaneous	57,392	-	57,392	105,142
Total Revenues	1,632,048	272,685	1,904,733	1,925,054

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)

Table 2
Change in Net Assets

	Governmental Activities – 2007	Business-Type Activities – 2007	Total Primary Government – 2007	Total Primary Government – 2006
Program Expenses:				
Legislative	\$17,152	\$-	\$17,152	\$24,191
General Services and Administration	299,776	-	299,776	330,999
Public Safety	353,181	-	353,181	404,303
Public Works	157,150	-	157,150	135,309
Community & Economic Dev.	40,215	-	40,215	42,555
Recreation and Culture	59,456	-	59,456	58,783
Other	321,559	-	321,559	297,496
Capital Outlay	124,889	-	124,889	219,476
Wastewater Treatment	-	241,852	241,852	198,383
Total Expenses	1,373,378	241,852	1,615,230	1,711,495
Excess (deficiency) before transfers	258,670	30,833	289,503	213,559
Transfers	-	-	-	-
Increase (decrease) in net assets	258,670	30,833	289,503	213,559
Net assets, beginning	2,994,969	2,251,138	5,246,107	5,032,548
Net Assets, Ending	\$3,253,639	\$2,281,971	\$5,535,610	\$5,246,107

The Township's total revenues were \$1,904,733. The total cost of all programs and services was \$1,615,230, leaving an increase in net assets of \$289,503. Our analysis below separately considers the operations of governmental and business-type activities:

Governmental Activities

The Governmental Type activities had a net income of \$258,670, which is made up of net loss of \$381,847 from the governmental funds plus \$612,022 of expenditures relating to capital assets plus \$20,915 related to road construction projects payments, plus \$14,513 of the principal payment of the landfill bond and an additional increase of \$6,933 relating to the change in compensated absences.

Business-type Activities

During the year ended December 31, 2007, the net assets of the Township's business type activities increased by \$30,833.

The net income of \$30,833 is due to charging the users for the bond payment which pays off a liability creating net income.

THE TOWNSHIP'S FUNDS

As the Township completed the year, its governmental funds (as presented in the balance sheet on page 13 reported a *combined* fund balance of \$2,112,922 which is an decrease of \$381,847 from the beginning of the year.

The governmental funds had a net loss of \$381,847 which was \$649,046 in expense relating to the Township Municipal Complex Improvement Project, \$95,021 local contribution from the KBIC 2% monies and \$172,178 reduction in expenditures per monitoring budget closely.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)

General Fund Budgetary Highlights

Over the course of the year, the Township Board revised the budget a few times. Amendments resulted in a net increase of \$0. With these adjustments, actual charges to expenditures were \$232,329 less than the final amended budget. Similarly, revenues were \$6,682 more than the final budget projection.

The difference between the final budget and actual revenue was a positive variance of \$6,682.

The Township Board approved four budget amendments in the general fund; two were accepting grant money for the police department overtime grants totaling \$19,249.

The difference between the final budget and actual expenditures was a positive variance of \$232,329.

The positive difference between the final budget and actual expenditures of \$232,329 was due to overall conservative spending and insurance savings. Other General Government was \$149,463 less than budget due to lower insurance costs and contingency not being utilized. The police department was under by \$36,090 due to salaries (grant money). The sanitary landfill was under by \$32,191 partially due to not being charged the landfill bond again. The additional \$14,585 positive variance was due to across the board immaterial differences.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal 2007, the Township had \$2,053,491 invested in a variety of capital assets including land, buildings, and other equipment. (See table 3 below)

Table 3
Capital Assets at Year-End (Net of Depreciation)

	Governmental Activities – 2007	Business-Type Activities – 2007	Totals – 2007	Totals – 2006
Land	\$190,000	\$5,555	\$195,555	\$195,555
Land improvements	130,592	-	130,592	116,067
Buildings and improvements	856,921	787,290	1,644,211	1,087,085
Equipment and furnishings	63,248	19,885	83,133	97,672
	<u>\$1,240,761</u>	<u>\$812,730</u>	<u>\$2,053,491</u>	<u>\$1,496,379</u>

The Township paid for an Township Municipal Complex Addition for \$649,046 and \$31,727 in recreational land improvements. The Township disposed of one police vehicle during the year, and recorded depreciation expense of \$121,265.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)

Debt

At year-end, the Township had \$49,600 in bonds and notes outstanding as depicted in Table 4 below.

Table 4
Outstanding Debt at Year-End

	Governmental Activities – 2007	Business-Type Activities – 2007	Totals – 2007	Totals – 2006
General Obligation Bonds	\$33,219	\$16,381	\$49,600	\$101,568

There was no new debt for this fiscal year and further debt can be found in Note F.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

In preparing the Township's budget for the year ending December 31, 2008 we anticipate a normal increase in expenditures being offset by normal increases in revenue.

CONTACTING THE TOWNSHIP'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the Township's finances and to show the township's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Charter Township of Chocolay, 5010 U.S. Highway 41 South, Marquette, MI 49855.

CHARTER TOWNSHIP OF CHOCOLAY, MICHIGAN

STATEMENT OF NET ASSETS

DECEMBER 31, 2007

	Primary Government		
	Governmental	Business Type	
	Activities	Activities	Total
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 2,306,616	\$ 980,134	\$ 3,286,750
Cash and cash equivalents - restricted	-	19,723	19,723
Receivables (net)	917,580	114,101	1,031,681
Prepays	15,077	939	16,016
TOTAL CURRENT ASSETS	3,239,273	1,114,897	4,354,170
Non-current assets:			
Investment in treatment facility	-	378,909	378,909
Capital Assets			
Land and construction in progress	190,000	5,555	195,555
Other capital assets	2,562,663	2,165,654	4,728,317
Accumulated depreciation	(1,511,902)	(1,358,479)	(2,870,381)
Total Capital Assets	1,240,761	812,730	2,053,491
TOTAL NON-CURRENT ASSETS	1,240,761	1,191,639	2,432,400
TOTAL ASSETS	4,480,034	2,306,536	6,786,570
LIABILITIES			
Current Liabilities:			
Accounts payable	152,838	6,798	159,636
Accrued liabilities	16,782	1,038	17,820
Deferred revenue	956,731	-	956,731
Current portion of bonds payable	15,803	16,381	32,184
Current portion of compensated absences	16,706	-	16,706
Security deposits	-	348	348
TOTAL CURRENT LIABILITIES	1,158,860	24,565	1,183,425
Non-current Liabilities:			
Compensated absences	50,119	-	50,119
Bonds payable	17,416	-	17,416
TOTAL NON-CURRENT LIABILITIES	67,535	-	67,535
TOTAL LIABILITIES	1,226,395	24,565	1,250,960
NET ASSETS			
Invested in capital assets net of related debt	1,240,761	796,349	2,037,110
Restricted for:			
Debt Service	-	19,723	19,723
Unrestricted	2,012,878	1,465,899	3,478,777
TOTAL NET ASSETS	\$ 3,253,639	\$ 2,281,971	\$ 5,535,610

The accompanying notes are an integral part of these financial statements.

CHARTER TOWNSHIP OF CHOCOLAY, MICHIGAN

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2007

		Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
					Primary Government		
Function / Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business Type Activities	Total
Primary Government:							
Governmental Activities:							
Legislative	\$ 17,152	\$ -	\$ -	\$ -	\$ (17,152)	\$ -	\$ (17,152)
General services and administration	299,776	52,688	-	-	(247,088)	-	(247,088)
Public safety	353,181	-	17,339	-	(335,842)	-	(335,842)
Public works	157,150	149,996	-	-	(7,154)	-	(7,154)
Community and economic development	40,215	-	-	-	(40,215)	-	(40,215)
Recreation and culture	59,456	-	-	-	(59,456)	-	(59,456)
Other	321,559	-	-	-	(321,559)	-	(321,559)
Capital Outlay	124,889	-	-	158,119	33,230	-	33,230
Total Governmental Activities	1,373,378	202,684	17,339	158,119	(995,236)	-	(995,236)
Business Type Activities:							
Wastewater treatment	241,852	229,617	-	-	-	(12,235)	(12,235)
Total Business Type Activities	241,852	229,617	-	-	-	(12,235)	(12,235)
TOTAL PRIMARY GOVERNMENT	\$ 1,615,230	\$ 432,301	\$ 17,339	\$ 158,119	(995,236)	(12,235)	(1,007,471)
General Revenues:							
Taxes					606,680	-	606,680
Unrestricted State sources					460,998	-	460,998
Interest and investment earnings					128,836	43,068	171,904
Miscellaneous					57,392	-	57,392
Transfers					-	-	-
TOTAL GENERAL REVENUES AND TRANSFERS					1,253,906	43,068	1,296,974
CHANGE IN NET ASSETS					258,670	30,833	289,503
Net assets, beginning of year					2,994,969	2,251,138	5,246,107
NET ASSETS, END OF YEAR					\$ 3,253,639	\$ 2,281,971	\$ 5,535,610

The accompanying notes are an integral part of these financial statements.

CHARTER TOWNSHIP OF CHOCOLAY, MICHIGAN

GOVERNMENTAL FUNDS

BALANCE SHEET

DECEMBER 31, 2007

	General Fund	Road Fund	Fire Fund	Capital Improvement Fund	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 1,175,122	\$ 52,928	\$ 24,282	\$ 1,054,284	\$ 2,306,616
Receivables	463,172	-	-	-	463,172
Taxes receivable	157,601	203,462	93,345	-	454,408
Due from other funds	-	-	-	-	-
Prepaid expense	15,077	-	-	-	15,077
TOTAL ASSETS	\$ 1,810,972	\$ 256,390	\$ 117,627	\$ 1,054,284	\$ 3,239,273
LIABILITIES AND FUND BALANCE					
LIABILITIES:					
Accounts payable	\$ 25,318	\$ -	\$ -	\$ 127,520	\$ 152,838
Accrued payroll and related	16,782	-	-	-	16,782
Deferred revenue	582,714	256,390	117,627	-	956,731
TOTAL LIABILITIES	624,814	256,390	117,627	127,520	1,126,351
FUND BALANCE:					
Restricted	-	-	-	775,479	775,479
Unrestricted	1,186,158	-	-	151,285	1,337,443
TOTAL FUND BALANCE	1,186,158	-	-	926,764	2,112,922
TOTAL LIABILITIES AND FUND BALANCE	\$ 1,810,972	\$ 256,390	\$ 117,627	\$ 1,054,284	\$ 3,239,273

The accompanying notes are an integral part of these financial statements.

CHARTER TOWNSHIP OF CHOCOLAY, MICHIGAN

**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS**

DECEMBER 31, 2007

Total Fund Balances for Governmental Funds **\$ 2,112,922**

*Amounts reported for governmental activities in the statement
of net assets are different because:*

Capital assets used in governmental activities are not financial
resources and therefore are not reported in the funds 1,240,761

Long-term liabilities, including bonds payable, are not due and payable
in the current period and therefore are not reported in the funds.

Current portion of bonds payable	\$ 15,803	
Current portion of compensated absences	16,706	
Compensated absences	50,119	
Marquette County Road Commission projects	-	
Bonds payable	<u>17,416</u>	
		<u>(100,044)</u>

NET ASSETS OF GOVERNMENTAL ACTIVITIES **\$ 3,253,639**

The accompanying notes are an integral part of these financial statements.

CHARTER TOWNSHIP OF CHOCOLAY, MICHIGAN

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

FOR THE YEAR ENDED DECEMBER 31, 2007

	General Fund	Road Fund	Fire Fund	Capital Improvement Fund	Total Governmental Funds
REVENUES:					
Taxes	\$ 606,680	\$ -	\$ -	\$ -	\$ 606,680
Licenses and permits	8,294	-	-	-	8,294
State sources	478,337	-	-	63,098	541,435
Local sources	-	-	-	95,021	95,021
Charges for services	194,390	-	-	-	194,390
Interest	58,931	-	-	69,905	128,836
Other	55,786	-	-	4,001	59,787
TOTAL REVENUES	1,402,418	-	-	232,025	1,634,443
EXPENDITURES:					
Current operations:					
Legislative	17,152	-	-	-	17,152
General services and administration	266,707	-	-	-	266,707
Public safety	333,278	-	-	-	333,278
Public works	170,172	-	-	-	170,172
Community and economic development	40,215	-	-	-	40,215
Recreation and culture	59,456	-	-	-	59,456
Other	302,733	-	-	-	302,733
Capital outlay	-	-	-	826,577	826,577
TOTAL EXPENDITURES	1,189,713	-	-	826,577	2,016,290
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	212,705	-	-	(594,552)	(381,847)
OTHER FINANCING SOURCES (USES):					
Transfers in	-	-	-	100,900	100,900
Transfers (out)	(100,900)	-	-	-	(100,900)
TOTAL OTHER FINANCING SOURCES (USES)	(100,900)	-	-	100,900	-
CHANGE IN FUND BALANCE	111,805	-	-	(493,652)	(381,847)
Fund balance, beginning of year	1,074,353	-	-	1,420,416	2,494,769
FUND BALANCE, END OF YEAR	\$1,186,158	\$ -	\$ -	\$ 926,764	\$ 2,112,922

The accompanying notes are an integral part of these financial statements.

CHARTER TOWNSHIP OF CHOCOLAY, MICHIGAN

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2007

Net Change in Fund Balances - Total Governmental Funds **\$ (381,847)**

*Amounts reported for governmental activities in the statement
of activities are different because:*

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital outlays	\$ 680,773	
Depreciation expense	(66,356)	
Gain (loss) on disposal	<u>(2,395)</u>	
		612,022

The unpaid portion of road construction projects is not recorded needs to be recorded as an expense and liability	20,915
---	--------

Repayment of bond principal is an expenditure in the governmental funds but the repayment reduces long-term liabilities in the statement of net assets.	14,513
---	--------

Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	<u>(6,933)</u>
--	----------------

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 258,670</u></u>
--	---------------------------------

The accompanying notes are an integral part of these financial statements.

CHARTER TOWNSHIP OF CHOCOLAY, MICHIGAN

PROPRIETARY FUNDS

STATEMENT OF NET ASSETS

DECEMBER 31, 2007

		Business - Type Activities
		Enterprise Funds
		Wastewater
		Treatment
		Operating Fund
ASSETS:		
Current Assets:		
Cash and cash equivalents	\$	980,134
Cash and cash equivalents - restricted		19,723
Accounts receivable, net		114,101
Due from other funds		-
Prepays		939
TOTAL CURRENT ASSETS		1,114,897
Non-current Assets:		
Investment in wastewater treatment facility		378,909
Land and construction in progress		5,555
Capital assets		2,165,654
Accumulated depreciation		(1,358,479)
TOTAL NON-CURRENT ASSETS		1,191,639
TOTAL ASSETS		2,306,536
LIABILITIES:		
Current Liabilities:		
Accounts payable		6,798
Accrued payroll and related liabilities		1,038
Security deposits		348
Current portion of long-term debt		16,381
TOTAL CURRENT LIABILITIES		24,565
Non-current Liabilities:		
Bond payable		-
TOTAL NON-CURRENT LIABILITIES		-
TOTAL LIABILITIES		24,565
NET ASSETS:		
Invested in capital assets net of related debt		796,349
Restricted - debt service		19,723
Unrestricted		1,465,899
TOTAL NET ASSETS	\$	2,281,971

The accompanying notes are an integral part of these financial statements.

CHARTER TOWNSHIP OF CHOCOLAY, MICHIGAN

PROPRIETARY FUNDS

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

FOR THE YEAR ENDED DECEMBER 31, 2007

	Business - Type Activities
	Enterprise Funds
	Wastewater
	Treatment
	Operating Fund
OPERATING REVENUES:	
Charges for services (net)	\$ 229,203
Miscellaneous income	414
TOTAL OPERATING REVENUES	229,617
OPERATING EXPENSES:	
Personnel services	67,232
Supplies	3,407
Other services and charges	51,612
Depreciation	54,909
TOTAL OPERATING EXPENSES	177,160
OPERATING INCOME (LOSS)	52,457
NON-OPERATING REVENUES (EXPENSES):	
Investment income	43,068
Gain (loss) on investment in wastewater treatment facility	(60,940)
Interest expense	(3,752)
TOTAL NON-OPERATING REVENUES (EXPENSES)	(21,624)
CHANGE IN NET ASSETS	30,833
Net assets, beginning of year	2,251,138
NET ASSETS, END OF YEAR	\$ 2,281,971

The accompanying notes are an integral part of these financial statements.

CHARTER TOWNSHIP OF CHOCOLAY, MICHIGAN

PROPRIETARY FUNDS

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2007

	Business -Type Activities Enterprise Funds Wastewater Treatment Operating Fund
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from charges for services	\$ 202,367
Other operating revenue	414
Cash payments to employees for services and fringe benefits	(67,059)
Cash payments to suppliers for goods and services	(68,917)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	66,805
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Cash payments for capital assets	1
Gain (loss) on investment in wastewater treatment facility	-
Interest payments on bonds	(3,752)
Principal payments on bonds	(16,540)
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(20,291)
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest income	43,068
(Additions) deductions to restricted assets	569
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	43,637
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	90,151
Cash and cash equivalents, beginning of year	889,983
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 980,134
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:	
Operating income (loss)	\$ 52,457
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	54,909
Change in assets and liabilities:	
(Increase) decrease in accounts receivable	(27,689)
(Increase) decrease in due from funds	853
(Increase) decrease in prepaid expense	(939)
Increase (decrease) in accounts payable	(12,959)
Increase (decrease) in accrued payroll and related liabilities	173
Increase (decrease) in security deposits	-
NET ADJUSTMENTS	14,348
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 66,805

The accompanying notes are an integral part of these financial statements.

CHARTER TOWNSHIP OF CHOCOLAY, MICHIGAN

FIDUCIARY FUNDS

STATEMENT OF FIDUCIARY NET ASSETS

DECEMBER 31, 2007

	Agency Funds
	<hr/>
ASSETS:	
Cash and cash equivalents	\$ 491,766
	<hr/>
TOTAL ASSETS	\$ 491,766
	<hr/> <hr/>
LIABILITIES:	
Due to others	\$ 491,766
Due to other funds	-
	<hr/>
TOTAL LIABILITIES	\$ 491,766
	<hr/> <hr/>

The accompanying notes are an integral part of these financial statements.

CHARTER TOWNSHIP OF CHOCOLAY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS

December 31, 2007

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The financial statements of the Township have been prepared in accordance with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. The more significant of these accounting policies established in GAAP and used by the Township are described below.

(1) REPORTING ENTITY

The Township's financial statements present the Township (the primary government). In evaluating the Township as a reporting entity, management has addressed all potential component units (traditionally separate reporting units) for which the Township may or may not be financially accountable and, as such, be includable within the Township's financial statements.

(2) BASIC FINANCIAL STATEMENTS – GOVERNMENT-WIDE FINANCIAL STATEMENTS

The Township's basic financial statements include both government-wide (reporting the Township as a whole) and fund financial statements (reporting the Township's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. The Township's legislative, public works, public safety, community and economic development, recreation and culture and general services and administration are classified as governmental activities. The Township's Wastewater Treatment Facility is classified as business-type activities.

In the government-wide Statement of Net Assets, both the governmental and business-type activities columns are presented on a consolidated basis by column and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Township's net assets are reported in three parts – invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. The Township first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the Township's functions and business-type activities. The functions are also supported by general government revenues (property, sales and use taxes, certain intergovernmental revenues, fines, permits and charges, etc.) The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function or a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants. The net costs (by function or business-type activity) are normally covered by general revenue.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

The government-wide focus is more on the sustainability of the Township as an entity and the change in the Township's net assets resulting from the current year's activities. For the most part, the effect of interfund activities has been removed from these statements.

(3) BASIC FINANCIAL STATEMENTS – FUND FINANCIAL STATEMENTS

The financial transactions of the Township are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

The following fund types are used by the Township:

Governmental Funds

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the Township:

- ***General Fund*** – General Fund is the general operating fund and, accordingly, it is used to account for all financial resources except those required to be accounted for in another fund.
- ***Road Fund*** – Road Fund is a Special Revenue Fund Type used to account for financial resources to be used for the expenditures related to road improvement.
- ***Fire Fund*** – Fire Fund is a Special Revenue Fund type used to account for financial resources to be used for the expenditures related to Fire protection services.
- ***Capital Projects Fund*** – Capital Projects Fund is used to account for financial resources to be used for the acquisition of construction of major capital facilities (other than those financed by business-type/proprietary funds).

Proprietary Funds

The focus of proprietary fund measurement is upon determination of operating income, changes in net assets, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The following is a description of the proprietary funds of the Township:

- ***Enterprise Funds*** – Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Fiduciary Funds

Fiduciary funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support Township programs. The agency fund is custodial in nature and does not present results of operations or have a measurement focus.

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. Nonmajor funds by category are summarized into a single column. GASB Statement No. 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds.

The Township reports the following major governmental funds:

- The **General Fund** is the Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The **Road Fund** is a Special Revenue Fund Type used to account for financial resources to be used for the expenditures related to road improvement.
- The **Fire Fund** is a Special Revenue Fund type used to account for financial resources to be used for the expenditures related to Fire protection services.
- The **Capital Improvement Fund** accounts for the purchase of capital assets of the Township.

The Township reports the following major proprietary funds:

- The **Wastewater Treatment Fund** accounts for the management of wastewater treatment services including billing, maintenance and construction.

The Township's fiduciary funds are presented in the fiduciary fund financial statements by type (agency). Since by definition these assets are being held for the benefit of a third party (other local governments, private parties, etc.) and cannot be used to address activities or obligations of the Township, these funds are not incorporated into the government-wide statements.

(4) BASIS OF ACCOUNTING

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

Accrual

Both governmental and business-type activities in the government-wide financial statements and the proprietary and fiduciary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

All enterprise funds apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

Modified Accrual

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified basis of accounting, revenues are recorded when they are both measurable and available. “Available” means collectible within the current period or within 60 days of the end of the current fiscal period. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. However, debt service expenditures, compensated absences, and claims and judgments are recorded only when payment is due.

(5) FINANCIAL STATEMENT AMOUNTS

Budgets and Budgetary Accounting – The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. The Township Supervisor submits to the Township Board of Trustees a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.
- b. Numerous opportunities exist for public comment during the budget process including at least two formal public hearings conducted at the Township Hall to obtain taxpayer comment.
- c. Pursuant to statute, prior to December 31 of each year the budget for the ensuing year is legally enacted through adoption of an Annual General Appropriations Act.
- d. The general statute governing Township budgetary activity is the State of Michigan Uniform Budgeting and Accounting Act. In addition to the provisions of the said Act and Board policy, general statements concerning the Board’s intent regarding the administration of each year’s budget are set out in the Annual General Appropriations Act. The Chocoley Township Board of Trustees, through policy action, specifically directs the Supervisor not to authorize or participate in any expenditure of funds except as authorized by the Annual General Appropriations Act. The Board recognized that, in addition to possible Board sanctions for willful disregard of this policy, State statutes provide for civil liability for violations of the Annual General Appropriations Act.
- e. The Supervisor is authorized by means of Township policy to make certain transfers:
 1. The Supervisor receives a request for a budget transfer from the head of the department whose budget is to be affected. Such request must specify the necessity for the transfer, the account name and/or group(s) and amount to be affected within prescribed limitations. Transfers in excess of those limitations must be approved by the Board of Trustees.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

2. The following considerations must be reviewed in determination of transfer approvals:
- a. Are the transfers consistent with the intent of the Board of Trustees in adopting the annual budget?
 - b. Will the transfer maintain the financial integrity of the Township?
 - c. Will the transfer provide a reasonable solution to the departmental operating problem?

Considering the above, the Supervisor will then decide whether or not the transfer should be made.

Supplemental appropriations are submitted to and reviewed by the Supervisor and submitted to the Township Board of Trustees for their review and approval. If approved, they are implemented by the Supervisor through a budget revision.

- f. The Charter Township of Chocoday adopts its Annual Budget on a departmental basis. At each level of detail, governmental operations are summarized into expenditure account groups. Funding sources are also identified and adopted at each level of detail. Budgetary controls exist at the most detailed level adopted by the Board of Trustees, i.e., department for analytical purposes. A detailed line item breakdown is prepared for each program. Accounting, i.e., classification control, resides at the line item detail level.
- g. Budgets for the General Funds were adopted in substance on an accrual basis which is consistent with generally accepted accounting principles. Budgeted amounts as reported in the Financial Report are as originally adopted and/or amended by the Township Board of Trustees.

Cash Equivalents and Investments – For the purposes of balance sheet classification and the statement of cash flows, cash and equivalents consist of demand deposits, cash in savings, money market accounts and short-term certificates of deposit with original maturity of three months or less. Investments are carried at fair value.

Capital Assets – Capital assets, which include property, plant, equipment and infrastructure assets (e.g. streets, bridges, and sidewalks), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of five years.

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their fair value on the date donated. Depreciation on all exhaustible capital assets is charged as an expense against their operations in government-wide statements and proprietary financial statements. Accumulated depreciation is reported on government-wide and proprietary statement of net assets. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Land improvements	15 years
Building, structures and improvements	40 years
Equipment	5 years
Water and Sewage System	20-50 years
Vehicles	5 years
Infrastructure	20-50 years

Long-Term Liabilities – In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities and business-type activities or proprietary fund type statement of net assets. In the fund financial statements, the face amount of debt issued is reported as other financing sources.

Estimates – The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reporting of certain assets, liabilities, revenues, and expenditures. Actual results may differ from estimated amounts.

Property Taxes – Property taxes are levied as of December 1 of each year and are due by the last day of the following February. The taxes are collected by the local unit and periodically remitted to the third parties during the collection period.

Compensated Absences – The Township accrues accumulated unpaid vacation and sick leave days and associated employee-related costs when earned (or estimated to be earned) by the employee. The noncurrent portion (the amount estimated to be used in subsequent fiscal years) for governmental funds is maintained separately and represents a reconciling item between the fund and government-wide presentations.

Deferred Revenues – Deferred revenues are those where asset recognition criteria have been met, but for which revenue recognition criteria have not been met.

General Fund deferred revenue of \$582,714 relating to taxes was levied on December 1, 2007.

Interfund Activity – Interfund activity is reported as either loans, services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a result of the reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

NOTE B – DEPOSITS AND INVESTMENTS:

Cash Equivalents

The following is a reconciliation of cash and investments for both the unrestricted and restricted assets for the primary government from the Statement of Net Assets:

	Primary Government	Fiduciary Funds	Total
Unrestricted:			
Cash and cash equivalents	\$3,287,749	\$490,766	\$3,778,515
Investments	-	-	-
	<u>3,287,749</u>	<u>490,766</u>	<u>3,778,515</u>
Restricted:			
Cash and cash equivalents	19,724	-	19,724
Investments	-	-	-
	<u>19,724</u>	<u>-</u>	<u>19,724</u>
TOTALS	<u>\$3,307,473</u>	<u>\$490,766</u>	<u>\$3,798,239</u>

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. State law does not require and the Township does not have a deposit policy for custodial credit risk. The carrying amounts of the primary government and fiduciary fund's deposits with financial institutions were \$3,798,239 and the bank balance was \$4,017,944. The bank balance is categorized as follows:

Amount insured by the FDIC or uncollateralized with securities held by the Township in its name	\$1,100,000
Amount collateralized with securities held by the pledging financial institutions trust department in the Township's name:	
Collateralized and uninsured	<u>2,917,944</u>
TOTAL	<u>\$4,017,944</u>

Investments

As of December 31, 2007, the Township did not have any investments.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of the Township's investments. The Township does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

Michigan statutes (Act 196, PA 1997) authorize the Township to invest in bonds, other direct obligations and repurchase agreements of the United States, certificates of deposits, savings accounts, deposit accounts or receipts of a bank which is a member of the FDIC and authorized to operate in this state, commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and matures within 270 days from date of purchase, bankers' acceptances of the United States banks, obligations of the State of Michigan and its political subdivisions, external investment pools, and certain mutual funds. Michigan law prohibits security in the form of collateral, surety bond, or another form for the deposit of public money.

NOTE B – DEPOSITS AND INVESTMENTS (Continued):

The Township has no investment policy that would further limit its investment choices. The Township's investments are rated as noted above. Ratings are not required for the Township's investment in equity-type funds. The Township's investments are in accordance with statutory authority.

Concentration of Credit Risk

The Township places no limit on the amount the Township may invest in any one issuer.

NOTE C – INTERFUND BALANCES:

		Transfers (Out)	
		General Fund	Total
	Transfers In		
	Capital Improvement Fund	\$ 100,900	\$ 100,900
	Total	\$ 100,900	\$ 100,900

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and (2) moves receipts restricted to debt service from the funds collecting the receipts to the debt service funds as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

NOTE D – CAPITAL ASSETS:

A summary of the capital assets of the Governmental Activities is as follows:

	Balance at January 1, 2007	Additions	Disposals	Balance at December 31, 2007
GOVERNMENTAL ACTIVITIES:				
Land	\$ 190,000	\$ -	\$ -	\$ 190,000
Total Capital Assets, not being depreciated	190,000	-	-	190,000
Buildings and improvements	685,000	649,046	-	1,334,046
Land improvements	287,000	31,727	-	318,727
Furniture and equipment	930,414	-	20,524	909,890
Total Capital Assets Being depreciated	1,902,414	680,773	20,524	2,562,663
Less Accumulated Depreciation:				
Buildings and improvements	(460,000)	(17,125)	-	(477,125)
Land improvements	(170,933)	(17,201)	-	(188,135)
Furniture and equipment	(832,742)	(32,031)	(18,130)	(846,642)
Total Accumulated Depreciation	(1,463,675)	(66,357)	(18,130)	(1,511,902)
Governmental Activities Capital Assets, Net	\$ 628,739	\$614,416	\$2,394	\$ 1,240,761

NOTE D – CAPITAL ASSETS (Continued):

Depreciation expense for the governmental activities was charged to the following functions and activities of the primary government:

General and Administrative	\$ 26,136
Public Safety	19,903
Public Works	1,491
Recreation and Culture	18,827
Total	<u>\$66,357</u>

A summary of changes in business-type activities capital assets is as follows:

	Balance at January 1, 2007	Additions	Disposals	Balance at December 31, 2007
BUSINESS-TYPE ACTIVITIES:				
Land	\$ 5,555	\$ -	\$ -	\$ 5,555
Total Capital Assets, not being depreciated	<u>5,555</u>	<u>-</u>	<u>-</u>	<u>5,555</u>
Buildings and improvements	2,121,368	-	-	2,121,368
Equipment	44,286	-	-	44,286
Total Capital Assets, being depreciated	<u>2,165,654</u>	<u>-</u>	<u>-</u>	<u>2,165,654</u>
Less Accumulated Depreciation:				
Buildings and improvements	(1,285,692)	(48,386)	-	(1,334,078)
Equipment	(17,877)	(6,524)	-	(24,401)
Total Accumulated Depreciation	<u>(1,303,569)</u>	<u>(54,910)</u>	<u>-</u>	<u>(1,358,479)</u>
	<u>\$ 867,640</u>	<u>\$(54,910)</u>	<u>\$ -</u>	<u>\$ 812,730</u>

Depreciation expense for the business-type activities was charged to the following functions and activities of the primary government:

Business-Type Activities:	
Wastewater Treatment Facility	\$54,909
Total Depreciation Expense – Business-Type Activities	<u>\$54,909</u>

NOTE E – VESTED EMPLOYEE BENEFITS:

Employees earn sick leave at the rate of one (1) day per month, not to exceed 12 days per year. During 1994 the Township adopted a payout provision stating that upon retirement, death, or disability, employees with one or more years of service shall be paid for 50% of their accumulated leave up to a maximum of 90 days at their current rate of pay.

Employees earn vacation leave at various schedules dependent upon their length of employment. Upon retirement, death, termination or disability, employees or their estates are paid for all outstanding vacation days accumulated at their current rate of pay.

	Accrued Sick and Vacation
Primary Government:	
Current portion	\$ 20,418
Long-term portion	46,406
Total	<u>\$66,824</u>

NOTE F – LONG-TERM DEBT:

SCHEDULE OF MARQUETTE COUNTY REFUNDING BONDS
UNLIMITED TAX, SERIES 1998
December 31, 2007

	June 1	December 1		
	Interest	Interest	Principal	Total
2008	\$ 558	\$ 2,784	\$ 16,381	\$ 19,723
TOTALS	\$ 558	\$ 2,784	\$ 16,381	\$ 19,723

The Bonds originally issued for \$153,510 and dated December 7, 1998 mature annually as scheduled above and bears interest at 4.3 per annum.

SCHEDULE OF MARQUETTE COUNTY LANDFILL BOND
December 31, 2007

	May	November	
	Principal	Interest	Interest
2008	\$ 15,803	\$ 1,262	\$ 662
2009	17,416	662	-
TOTALS	\$ 33,219	\$ 1,924	\$ 662

The Bonds originally issued for \$171,920 and dated September 11, 1991 mature annually as scheduled above and bears a variable interest rate.

Changes in long-term debt principal during the period ended December 31, 2007 are summarized as follows:

	January 1, 2007	Additions	Subtractions	December 31, 2007	Due Within One Year
Governmental Activities:					
This debt represents the Township's share of the Bond to form the Joint Venture in the Marquette County Solid Waste Management Authority.	\$47,732	\$ -	\$14,513	\$33,219	\$15,803
Outstanding payable to the Marquette County Road Commission for Road Improvements within the township, not yet paid at year end.	20,915	-	20,915	-	-
Total Governmental Activities	68,647	-	35,428	33,219	15,803
Business-Type Activities:					
This debt represents the Township's share of the Bond to form the Joint venture in the Marquette Area Wastewater Treatment Facility.	32,921	-	16,540	16,381	16,381
Total Business-Type Activities	32,921	-	16,540	16,381	16,381
TOTAL PRIMARY GOVERNMENT LONG-TERM DEBT	\$101,568	\$ -	\$51,968	\$49,600	\$32,184

NOTE F – LONG-TERM DEBT (Continued):

Annual maturities on the Long Term Debt are as follows:

	Governmental Activities	Governmental Activities	Business Type Activities	Business Type Activities
	Principal	Interest	Principal	Interest
2008	\$15,806	\$1,924	\$16,381	\$19,723
2009	17,413	662	-	-
Total	\$33,219	\$2,586	\$16,381	\$19,723

NOTE G – RESERVED AND DESIGNATED NET ASSETS:

The Wastewater Treatment Fund has reserved net assets totaling \$19,724 which represents the balance available to pay down debt.

NOTE H – PROPERTY TAXES:

The Local Governmental Unit property tax is levied on each December 1st on the taxable valuation of property (as defined by State statutes) located in the Local Governmental Unit as of the preceding December 31st.

Although the Local Governmental Unit 2006 ad valorem tax is levied and collectible on December 1, 2006, it is the Local Governmental Unit's policy to recognize revenue from the current tax levy in the following year when the proceeds of this levy are budgeted and made "available" for the financing of operations. "Available" means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period (60) days.

The 2006 taxable valuation of the Local Governmental Unit totaled \$139,919,722, on which ad valorem taxes levied consisted of 3.9353 mills for the Local Governmental Unit operation purposes. These amounts are recognized in the General Fund financial statements as revenue.

NOTE I – OTHER POST EMPLOYMENT BENEFITS:

The Charter Township of Chocolay offers group benefit health insurance coverage under personnel policy covering substantially all employees of the Township. This benefit is accounted for on the pay-as-you-go method, whereby the Township is reporting the amounts paid as expenditures in the year the amount is paid for the benefit provided. The amount paid for employees for the period ended December 31, 2007 was \$-0-.

NOTE J – CONTINGENT LIABILITIES:

Risk Management – The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Township has obtained commercial insurance to handle its risk of loss.

NOTE K – INVESTMENT IN WASTEWATER TREATMENT FACILITY:

On April 7, 1977, and May 31, 1983 the Charter Township of Chocolay, The City of Marquette, and Township of Marquette entered into contracts to construct and operate a secondary wastewater treatment facility to be known as the "Marquette Area Wastewater Treatment Facility". Under those agreements the Township of Chocolay would own 14.7% of the facility, the Township of Marquette would own 5.5% and the City of Marquette would own 79.8%.

NOTE K – INVESTMENT IN WASTEWATER TREATMENT FACILITY (Continued):

On July 1, 1993, there was an amendment to the Marquette County Wastewater Disposal system contract to change the ownership of the three partners involved. The Charter Township of Marquette paid to the City of Marquette and the Charter Township of Chocolay each the sum of \$54,743, representing an allocation of an additional 4.5% of the capacity of the Marquette Area Wastewater Treatment Facility to Marquette Township. During fiscal 1998, the County of Marquette issued refunding bonds – unlimited tax series 1998, to partially refund the original bond issue. The new ownership percentages for the City of Marquette, Charter Township of Chocolay, and Charter Township of Marquette are 77.55%, 12.45%, and 10.00%, respectively.

On June 26, 2006, there was an amendment to the Marquette County Wastewater Disposal System Contract to change ownership of the three partners involved. The new ownership percentages for the city of Marquette, the Charter Township of Chocolay, and the Charter Township of Marquette are 85%, 5%, and 10%, respectively.

The construction of the Facility was partially financed through \$2.5 million general obligation bonds which were partially refunded during fiscal 1998 and issued by Marquette County for which the full faith and credit of the two Townships and the City of Marquette have been pledged. Repayment of the County of Marquette bonds and the interest thereon is the contractual responsibility of the owners of the project based on their share of the ownership. The total investment in the Facility at December 31, 2006 by the Township is \$436,000 including local contributions and its proportionate share of the net equity of the Facility. The Township utilizes the equity method of accounting for the activity in its investment in the Facility. Under the equity method the investment is adjusted for any additional capital investments made and its proportionate share of the Facility's results of operations.

A summary of condensed financial information of the Facility, in the aggregate, for its fiscal year ended June 30, 2007 is as follows:

Assets	\$11,311,357
Liabilities	3,999,937
Fund Equity	5,485,633
Total Operating Revenues	1,236,181
Total Operating Expenses	1,667,346
Net income (loss)	(431,858)
Township's share of net income (loss)	29,690

NOTE L – JOINT VENTURE – (MARQUETTE COUNTY SOLID WASTE MANAGEMENT AUTHORITY):

In June 1988, Chocolay Township joined with 19 other municipalities to create the Marquette County Solid Waste Management Authority ("Authority"). The Authority was created pursuant to Act 233 of 1955 to plan for, acquire, construct, finance, operate, maintain, repair and dispose of, whether by sale, lease, or otherwise, an Act 641 landfill, including all improvements, appurtenances, easements, accessory facilities and structures, equipment, and other property part of or incidental to the landfill sufficient to satisfy the requirements of, and function as a solid waste disposal area under Act 641 and to establish and administer procedures providing for the separation, recycling, recovery, conversion of solid waste to energy and for the disposition of such energy output and disposal at the site of Non-toxic Type II and Type III Solid Waste, to fund all of the above activities, to charge and collect fees in connection with the operation of the landfill and to provide for the reimbursement with receipt of bond proceeds to the City of Marquette and Sands Township of their respective costs and expenses incurred in connection with the establishment and administration of the Solid Waste Authority and the System Facility.

NOTE L – NOTE L – JOINT VENTURE – (MARQUETTE COUNTY SOLID WASTE MANAGEMENT AUTHORITY) (Continued):

The Authority is governed by a Board of Trustees consisting of one (1) member (who is the Chairperson of the board of Trustees) designated by the Sands Township Supervisor on behalf of the Sands Township, two (2) members designated by the Marquette City Commission; three (3) members designated by the Marquette County Board of Commissioners, and one resident of the City of Marquette appointed by the other 6 Authority Board members. All decisions of the Board are made by majority vote, consisting of at least four of its members.

The Township's share of assets, liabilities, and fund equity is approximately 10 percent. Summary financial information as of and for the fiscal year ended June 30, 2007, is as follows:

Total Assets	\$13,425,691
Total Liabilities	1,989,798
Total Equity	11,435,893
Total Operating Revenues	2,374,922
Total Operating Expenses	2,817,324
Net Income (loss)	66,021

The City of Marquette has pledged its full faith and credit for the Marquette County Solid Waste Management Authority Bonds, Series 1988. These bonds are payable from the net revenues of the Authority, as well as by each member of the Authority to the extent of their pro rata share of the principal and interest requirements on the bonds.

NOTE M – DEFERRED COMPENSATION PLAN:

The Township offers its employees deferred compensation Plans created in accordance with the Internal Revenue Code, Section 457. The Plans are available to all employees. The Plans permit them to defer a portion of their current earnings until the employee's termination, retirement, death or unforeseeable future.

Due to changes in the Internal Revenue Code, the Plan's assets are considered to be property of the Plan's participants and are no longer subject to the Township's general creditors. Therefore, the Plan is no longer presented in these statements.

The Plan's participants have the right to designate how the funds will be invested. Accordingly, the Township has no liability for losses under the Plan. The Plan's assets are held in trust for the exclusive benefit of the Plan's participants and their beneficiaries.

The Township's Plan is administered by American Express (full time employees) and Mid America Retirement Solutions (part time employees, and as Plan Administrators, agree to hold harmless and indemnify the Board, it's appointed and elected officers and participating employees from any loss resulting from American Express or their agents' failure to perform their duties and services pursuant to the American Express program.

NOTE N – JOINT VENTURE – (MARQUETTE BOARD OF LIGHT AND POWER UTILITY REVIEW COMMITTEE):

In the 1980s, Chocolay Township joined with 5 other municipalities to create the Marquette Board of Light and Power Utility Review Committee ("Committee"). The Committee was created to act as the principal overseer of the activities of the Marquette Board of Light and Power on behalf of the member Townships and provide advice to the Township on short and long term issues affecting the distribution of electricity to the Townships.

The Committee is governed by a Board of Trustees consisting of one (1) member from each of the member townships. All decisions of the Board are made by majority vote, consisting of at least three of its members.

NOTE N – JOINT VENTURE – (MARQUETTE BOARD OF LIGHT AND POWER UTILITY REVIEW COMMITTEE) (Continued):

The Township's share of assets, liabilities, and fund equity is undetermined at this time. Summary financial information as of and for the fiscal year ended June 30, 2006, is as follows:

Total Assets	\$102,613
Total Liabilities	-
Total Equity	102,613
Total Operating Revenues	62,426
Total Operating Expenses	10,485
Net Income (loss)	51,941

The financial statement for the Marquette Board of Light and Power Utility Review Committee were not audited by us and therefore, we did not express an opinion on this financial amounts list above.

REQUIRED SUPPLEMENTARY FINANCIAL INFORMATION

CHARTER TOWNSHIP OF CHOCOLAY, MICHIGAN

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED DECEMBER 31, 2007

	Budgeted Amounts		Actual GAAP Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 606,433	\$ 606,433	\$ 606,680	\$ 247
Licenses and permits	5,600	5,600	8,294	2,694
State sources	472,255	481,151	478,337	(2,814)
Charges for services	212,000	212,000	194,390	(17,610)
Interest	36,000	36,000	58,931	22,931
Other revenues	44,200	54,552	55,786	1,234
TOTAL REVENUES	1,376,488	1,395,736	1,402,418	6,682
EXPENDITURES:				
Legislative	31,299	31,299	17,152	14,147
General services and administration	287,579	287,579	266,707	20,872
Public safety	361,399	381,548	333,278	48,270
Public works	206,198	206,198	170,172	36,026
Community and economic development	51,504	51,504	40,215	11,289
Recreation and culture	71,817	72,317	59,456	12,861
Other	392,997	391,597	302,733	88,864
TOTAL EXPENDITURES	1,402,793	1,422,042	1,189,713	232,329
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(26,305)	(26,306)	212,705	239,011
OTHER FINANCING SOURCES (USES):				
Transfers (out)	(161,500)	(161,500)	(100,900)	60,600
TOTAL OTHER FINANCING SOURCES (USES)	(161,500)	(161,500)	(100,900)	60,600
CHANGE IN FUND BALANCE	(187,805)	(187,806)	111,805	299,611
Fund balance, beginning of year	1,074,353	1,074,353	1,074,353	-
FUND BALANCE, END OF YEAR	\$ 886,548	\$ 886,547	\$ 1,186,158	\$ 299,611

The accompanying notes are an integral part of these financial statements.

OTHER SUPPLEMENTARY INFORMATION

CHARTER TOWNSHIP OF CHOCOLAY, MICHIGAN

MAJOR GOVERNMENTAL FUNDS

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

FOR THE YEAR ENDED DECEMBER 31, 2007

	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)
REVENUES:			
Taxes:			
Current levy	\$ 553,039	\$ 553,039	\$ -
Payment in lieu of taxes	7,357	7,360	3
Tax collection fees	46,037	46,281	244
Total Taxes	<u>606,433</u>	<u>606,680</u>	<u>247</u>
Licenses and Permits:			
Animal licenses	600	489	(111)
Building permits	5,000	7,805	2,805
Total Licenses and Permits	<u>5,600</u>	<u>8,294</u>	<u>2,694</u>
State Sources:			
Public safety grants	8,896	10,994	2,098
Telecommunications	6,400	6,345	(55)
State revenue sharing	465,855	460,998	(4,857)
Total State Sources	<u>481,151</u>	<u>478,337</u>	<u>(2,814)</u>
Charges for Services:			
Franchise fees	52,000	44,394	(7,606)
Fire services	-	-	-
Refuse collection	160,000	149,996	(10,004)
Total Charges for Services	<u>212,000</u>	<u>194,390</u>	<u>(17,610)</u>
Interest	36,000	58,931	22,931
Total Interest	<u>36,000</u>	<u>58,931</u>	<u>22,931</u>
Other Revenues:			
Ordinance fines and costs	9,200	10,299	1,099
Miscellaneous other	45,352	45,487	135
Total Other Revenues	<u>54,552</u>	<u>55,786</u>	<u>1,234</u>
TOTAL REVENUES	<u>1,395,736</u>	<u>1,402,418</u>	<u>6,682</u>
EXPENDITURES:			
LEGISLATIVE:			
Board of Commissioners:			
Personnel services	4,150	2,950	1,200
Other services and charges	27,149	14,202	12,947
TOTAL LEGISLATIVE	<u>31,299</u>	<u>17,152</u>	<u>14,147</u>

CHARTER TOWNSHIP OF CHOCOLAY, MICHIGAN

MAJOR GOVERNMENTAL FUNDS

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

FOR THE YEAR ENDED DECEMBER 31, 2007

	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)
GENERAL SERVICES AND ADMINISTRATION:			
Supervisor:			
Personnel services	\$82,400	\$74,932	\$7,468
Other services and charges	2,820	1,757	1,063
Capital outlay	-	-	-
Total Supervisor	<u>85,220</u>	<u>76,689</u>	<u>8,531</u>
Election:			
Personnel services	3,600	1,821	1,779
Supplies	4,300	3,786	514
Other services and charges	650	806	(156)
Total Election	<u>8,550</u>	<u>6,413</u>	<u>2,137</u>
Assessor:			
Personnel services	41,117	41,475	(358)
Supplies	2,465	2,418	47
Other services and charges	2,225	1,593	632
Capital outlay	-	200	(200)
Total Assessor	<u>45,807</u>	<u>45,686</u>	<u>121</u>
Clerk:			
Personnel services	83,996	81,516	2,480
Supplies	4,450	3,444	1,006
Other services and charges	10,285	7,229	3,056
Capital outlay	250	72	178
Total Clerk	<u>98,981</u>	<u>92,261</u>	<u>6,720</u>
Board of Review:			
Personnel services	1,442	1,260	182
Other services and charges	310	455	(145)
Total Board of Review	<u>1,752</u>	<u>1,715</u>	<u>37</u>
Treasurer:			
Personnel services	26,195	25,039	1,156
Supplies	4,696	2,976	1,720
Other services and charges	4,770	4,493	277
Capital outlay	-	-	-
Total Treasurer	<u>35,661</u>	<u>32,508</u>	<u>3,153</u>

CHARTER TOWNSHIP OF CHOCOLAY, MICHIGAN

MAJOR GOVERNMENTAL FUNDS

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

FOR THE YEAR ENDED DECEMBER 31, 2007

	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)
Township Hall and Grounds:			
Supplies	\$2,890	\$2,526	\$364
Other services and charges	8,718	8,909	(191)
Total Township Hall and Grounds	11,608	11,435	173
TOTAL GENERAL SERVICES AND ADMINISTRATION	287,579	266,707	20,872
PUBLIC SAFETY:			
Police Department:			
Personnel services	267,003	239,251	27,752
Supplies	25,367	16,965	8,402
Other services and charges	8,241	9,780	(1,539)
Capital outlay	6,649	5,171	1,478
Total Police Department	307,260	271,167	36,093
Fire Department:			
Personnel services	37,163	28,993	8,170
Supplies	21,525	18,655	2,870
Other services and charges	7,560	6,901	659
Capital outlay	8,040	7,562	478
Total Fire Department	74,288	62,111	12,177
TOTAL PUBLIC SAFETY	381,548	333,278	48,270
PUBLIC WORKS:			
Streets:			
Supplies	1,147	378	769
Other services and charges	13,515	10,450	3,065
Total Streets	14,662	10,828	3,834
Refuse Collection:			
Personnel services	7,806	7,935	-129
Other services and charges	165,633	133,820	31,813
Debt payment	18,097	17,589	508
Total Refuse Collection	191,536	159,344	32,192
TOTAL PUBLIC WORKS	206,198	170,172	36,026

CHARTER TOWNSHIP OF CHOCOLAY, MICHIGAN

MAJOR GOVERNMENTAL FUNDS

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

FOR THE YEAR ENDED DECEMBER 31, 2007

	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)
COMMUNITY AND ECONOMIC DEVELOPMENT:			
Zoning:			
Personnel services	\$26,144	\$26,255	(\$111)
Supplies	500	404	96
Other services and charges	3,850	3,488	362
Total Refuse Collection	30,494	30,147	347
Planning Commission:			
Personnel services	5,650	2,900	2,750
Supplies	550	208	342
Other services and charges	10,410	4,089	6,321
Total Planning Commission	16,610	7,197	9,413
Appeals Board (Zoning and Planning):			
Personnel services	2,900	1,970	930
Supplies	200	189	11
Other services and charges	1,300	712	588
Total Appeals Board (Zoning and Planning)	4,400	2,871	1,529
TOTAL COMMUNITY AND ECONOMIC DEVELOPMENT	51,504	40,215	11,289
RECREATION AND CULTURE:			
Parks and Properties:			
Personnel services	52,190	49,295	2,895
Supplies	9,921	8,377	1,544
Other services and charges	4,206	1,284	2,922
Capital outlay	6,000	500	5,500
Total Parks and Properties	72,317	59,456	12,861
TOTAL RECREATION AND CULTURE	72,317	59,456	12,861
OTHER:			
Fringe Benefits:			
Personnel services	292,775	253,631	39,144
Supplies	8,810	6,849	1,961
Other services and charges	90,012	42,253	47,759

CHARTER TOWNSHIP OF CHOCOLAY, MICHIGAN

MAJOR GOVERNMENTAL FUNDS

GENERAL FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL**

FOR THE YEAR ENDED DECEMBER 31, 2007

	<u>Final Budget</u>	<u>Actual GAAP Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
Capital outlay	\$ -	\$ -	\$ -
TOTAL OTHER	<u>391,597</u>	<u>302,733</u>	<u>88,864</u>
TOTAL EXPENDITURES	<u>1,422,042</u>	<u>1,189,713</u>	<u>232,329</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(26,306)</u>	<u>212,705</u>	<u>239,011</u>
OTHER FINANCING SOURCES (USES):			
Transfers In / (Out):			
Capital Improvements	(161,500)	(100,900)	60,600
Total Transfers (Out)	<u>(161,500)</u>	<u>(100,900)</u>	<u>60,600</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(161,500)</u>	<u>(100,900)</u>	<u>60,600</u>
CHANGE IN FUND BALANCE	<u>(187,806)</u>	<u>111,805</u>	<u>299,611</u>
Fund balance, beginning of year	<u>1,074,353</u>	<u>1,074,353</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u><u>\$ 886,547</u></u>	<u><u>\$ 1,186,158</u></u>	<u><u>\$ 299,611</u></u>

CHARTER TOWNSHIP OF CHOCOLAY, MICHIGAN

MAJOR GOVERNMENTAL FUNDS

CAPITAL IMPROVEMENT FUND

**STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE**

FOR THE YEAR ENDED DECEMBER 31, 2007

REVENUES:

State sources	\$	63,098
Local sources		95,021
Interest		69,905
Other		4,001
TOTAL REVENUES		<u>232,025</u>

EXPENDITURES:

Capital outlay		
Township building and grounds		649,046
Police department		12,479
Fire department		112,690
Streets		8,897
Recreation		32,993
Zoning and planning		10,472
Total Capital Outlay		<u>826,577</u>

TOTAL EXPENDITURES 826,577

EXCESS OF REVENUES OVER (UNDER) EXPENDITURES (594,552)

OTHER FINANCING SOURCES (USES):

Transfers in	100,900
Transfers (out)	-
TOTAL OTHER FINANCING SOURCES	<u>100,900</u>

CHANGES IN FUND BALANCE (493,652)

Fund balance, beginning of year 1,420,416

FUND BALANCE, END OF YEAR \$ 926,764

CHARTER TOWNSHIP OF CHOCOLAY, MICHIGAN

FIDUCIARY FUNDS

COMBINING STATEMENT OF NET ASSETS

DECEMBER 31, 2007

	Trust & Agency Fund	Tax Collection Fund	Total
ASSETS			
Cash and cash equivalents	\$ (747)	\$ 492,513	\$ 491,766
TOTAL ASSETS	<u>\$ (747)</u>	<u>\$ 492,513</u>	<u>\$ 491,766</u>
LIABILITIES			
Due to others	\$ (747)	\$ 492,513	\$ 491,766
Due to other funds	-	-	-
TOTAL LIABILITIES	<u>\$ (747)</u>	<u>\$ 492,513</u>	<u>\$ 491,766</u>

COMPLIANCE SUPPLEMENTS



Anderson, Tackman & Company, PLC

Certified Public Accountants
Marquette, Michigan 906-225-1166
Fax – 1-906-225-1714

Partners

John W. Blemberg, CPA

Robert J. Downs, CPA, CVA

Daniel E. Bianchi, CPA

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

The Supervisor and Members of
the Board of Trustees of the
Charter Township of Chocolay, Michigan
5010 U.S. Highway 41 South
Marquette, Michigan 49855

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Township of Chocolay, Michigan, as of and for the year ended December 31, 2007, which collectively comprise the Township of Chocolay, Michigan's basic financial statements and have issued our report thereon dated March 7, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered The Township of Chocolay, Michigan's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township of Chocolay, Michigan's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Township of Chocolay, Michigan's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Township of Chocolay, Michigan's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Township of Chocolay, Michigan's financial statements that is more than inconsequential will not be prevented or detected by the Township of Chocolay, Michigan's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Township of Chocolay, Michigan's internal control.

The Supervisor and Members of
the Board of Trustees of the
Charter Township of Chocolay, Michigan

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Township of Chocolay, Michigan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the audit committee, City Council, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Anderson, Tackman & Company, PLLC

Certified Public Accountants



Anderson, Tackman & Company, PLC

Certified Public Accountants
Marquette, Michigan 906-225-1166
Fax – 1-906-225-1714

Partners

John W. Blemberg, CPA

Robert J. Downs, CPA, CVA

Daniel E. Bianchi, CPA

March 8, 2008

Charter Township of Chocoday, Michigan
5010 US 41 South
Marquette, Michigan 49855

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Charter Township of Chocoday, Michigan for the year ended December 31, 2007, and have issued our report thereon dated March 7, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters in the engagement letter.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Charter Township of Chocoday, Michigan are described in Note A to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during year. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate(s) affecting the financial statements are listed in Note A.

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Charter Township of Chocolay, Michigan
Marquette, Michigan 49855

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated March 7, 2008.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of Charter Township of Chocolay, Michigan Board of Trustees and management of Charter Township of Chocolay, Michigan and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Anderson, Tackman & Company

Anderson, Tackman & Company, PLC